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## Indonesia

## Coffee Annual

## 2012

**Approved By:**

Dennis Voboril

**Prepared By:**

Jonn Slette/Ibnu E Wiyono

**Report Highlights:**

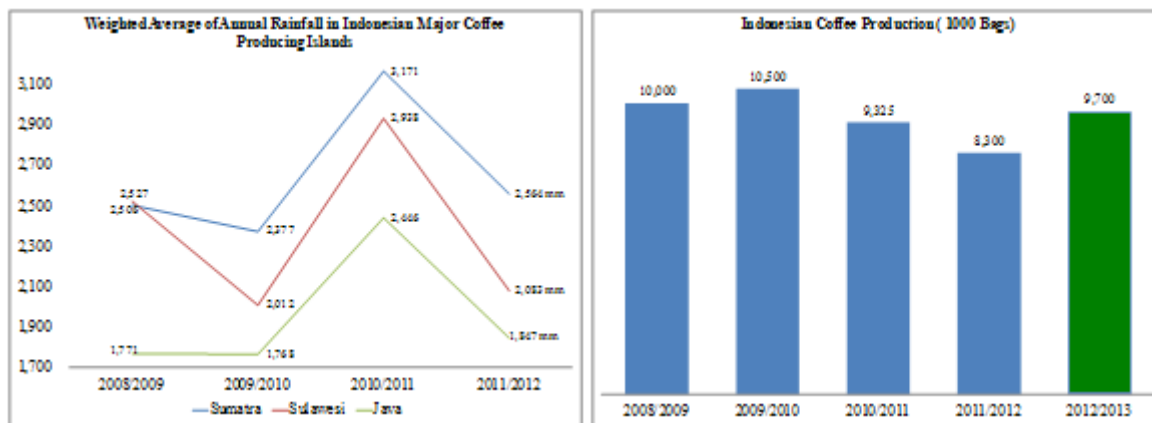
- Indonesian coffee production will grow by 17 percent to 9.7 million 60-kg bags green bean equivalent (GBE) in marketing year (MY) 2012/2013 due to more supportive weather conditions.
- Indonesia's Ministry of Agriculture (MOA) allocated nearly 143 billion rupiah (roughly 15 million dollars) in fiscal year 2012 to improve Indonesian coffee production and productivity.

**Commodities:**

## Coffee, Green Bean

### Production:

Coffee crops require 1500-2500 mm of annual rainfall to reach optimal production levels. Above normal rainfall during MY 2010/2011 in Indonesia significantly reduced farmers' ability to harvest, as well as negatively impacted the bean drying process. Consequently, Indonesian coffee production declined by 11 percent to 9.325 million bags GBE in MY 2010/2011. Higher than average levels of rainfall in MY 2010/2011 also disturbed blossoming and the cherry ripening process, which led to further decline in Indonesian coffee production to 8.3 million bags GBE in MY 2011/2012.



Source: World Meteorological Organization (recalculated) & USDA

Post predicts that Indonesian coffee production will grow by 17 percent to 9.7 million bags GBE in MY 2012/2013. In MY 2009/2010 Indonesian coffee production reached 10.5 million bags GBE due to favorable weather conditions during the blossoming period and the cherry ripening process in MY 2008/2009. So far, weather conditions in MY 2011/2012 are similar to those in MY 2008/2009. Thus, it is possible that Indonesian coffee production may reach MY 2009/2010 production levels. The decline in coffee planted areas and stagnant productivity, however, may limit Indonesian coffee production recovery to 9.7 million bags GBE in MY 2012/2013.

Harvested areas of Robusta have steadily declined in Indonesia. Although production areas for Arabica in Indonesia have increased in recent years, increased Arabica production cannot offset the steady decline in harvested areas for Robusta. Farmers in the Southern part of Sumatra to include Lampung, Bengkulu, and South Sumatra have been actively converting their Robusta coffee plantation to more profitable crops such as cocoa, rubber, and oil palm. Those provinces account for 80 percent of total Indonesian Robusta coffee production.

Attractive prices are encouraging farmers to expand Arabica production. However, tough terrain and encroachment on protected forest areas may limit the expansion rate.

### Consumption:

There are no official coffee consumption figures released by Government of Indonesia. Indonesian coffee exporters believe that Indonesian coffee consumption currently stands at 4 million bags.

Although, some Indonesian major coffee processors believe that domestic consumption levels are more conservative, at around 2.9 million bags GBE.

Mixing roasted and ground (R&G) coffee with corn is still a common practice among people in rural areas and smaller Indonesian cities. Pure coffee is too expensive for coffee drinkers in these areas due to their low buying power. Coffee mixed with corn, therefore, is a rational choice for them as they can enjoy tasty coffee at affordable prices. According to Post sources, some corn is often mixed with coffee by small and medium sized Indonesian processors. Indonesian consumers find the taste of the corn pleasant, and because corn is less expensive than coffee, it is cost saving measure for small scale processors. Post, based on the certain rate of corn being mixed with R&G coffee, predicts that Indonesian coffee consumption will grow from 1.78 million bags GBE in MY 2011/2012 to 2.04 million bags GBE in MY 2012/2013.

#### **Trade:**

Increased production levels over the previous marketing year will likely translate to increased levels of exports and decreased levels of imports. Post predicts an 11.7 percent increase in Indonesian coffee exports, from 7.25 million bags GBE in MY 2011/2012 to 8.1 million bags GBE in MY 2012/2013. Increased coffee production will also lower Indonesian coffee imports from 735,000 bags GBE in MY 2011/2012 to 500,000 bags GBE in MY 2012/2013.

#### **Stocks:**

Increased coffee production is expected to significantly increase ending stock levels to 148,000 bags GBE in MY 2012/2013. This represents an increase of 68 percent over the previous MY.

#### **Policy:**

The MOA cites that approximately 60 percent of Indonesia's coffee trees are more than 25 years old. In 2012, the MOA will allocate nearly 143 billion rupiah (roughly \$15 million) for Arabica expansion and Robusta rejuvenation. Funds supporting Arabica and Robusta development are broken down into the following seven projects:

1. Seed provision to expand Arabica coffee planting area and to rejuvenate Robusta coffee planting area. Total budget: IDR 37.3 billion.
2. Fertilizers to support Arabica coffee area expansion and Robusta coffee rejuvenation program in East Nusa Tenggara and Papua Province. Total budget: IDR 2.7 billion.
3. Fertilizer provision to support Arabica coffee area expansion and Robusta coffee rejuvenation program in West Java, Central Java, West Nusa Tenggara, Yogyakarta, and Bali province. Total budget: IDR 5.9 billion.
4. Fertilizer provision to support Arabica coffee area expansion and Robusta coffee rejuvenation program in Aceh, South Sumatra, Bengkulu, Jambi, and Lampung province. Total budget: IDR 7.5 billion.
5. Specialty coffee intensification program in Aceh, North Sumatra, and Lampung. Total budget: IDR 33.4 billion.
6. Specialty coffee intensification program in Java and Bali. Total budget: IDR 29.8 billion.
7. Specialty coffee intensification program in East Nusa Tenggara and South Sulawesi. Total budget: IDR 26.2 billion.

## Production, Supply and Demand Data

Coffee, Green Indonesia	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Apr 2010		Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	1,265	0	1,250		1,170	(1000 HA)
Area Harvested	0	1,165	0	1,150		1,080	(1000 HA)
Bearing Trees	0	1,230	0	1,215		1,140	(MILLION TREES)
Non-Bearing Trees	0	105	0	105		95	(MILLION TREES)
Total Tree Population	0	1,335	0	1,320		1,235	(MILLION TREES)
Beginning Stocks	1,603	1,603	83	83		88	(1000 60 KG BAGS)
Arabica Production	1,375	1,375	1,300	1,300		1,700	(1000 60 KG BAGS)
Robusta Production	7,950	7,950	7,000	7,000		8,000	(1000 60 KG BAGS)
Other Production	0	0	0	0		0	(1000 60 KG BAGS)
Total Production	9,325	9,325	8,300	8,300		9,700	(1000 60 KG BAGS)
Bean Imports	185	185	600	600		350	(1000 60 KG BAGS)
Roast & Ground Imports	0	0	135	135		150	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0		0	(1000 60 KG BAGS)
Total Imports	185	185	735	735		500	(1000 60 KG BAGS)
Total Supply	11,113	11,113	9,118	9,118		10,288	(1000 60 KG BAGS)
Bean Exports	7,375	7,375	5,750	5,750		6,100	(1000 60 KG BAGS)
Rst-Gmd Exp.	0	0	0	0		0	(1000 60 KG BAGS)
Soluble Exports	2,305	2,305	1,500	1,500		2,000	(1000 60 KG BAGS)
Total Exports	9,680	9,680	7,250	7,250		8,100	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1,250	1,250	1,600	1,600		1,840	(1000 60 KG BAGS)
Soluble Dom. Cons.	100	100	180	180		200	(1000 60 KG BAGS)
Domestic Use	1,350	1,350	1,780	1,780		2,040	(1000 60 KG BAGS)
Ending Stocks	83	83	88	88		148	(1000 60 KG BAGS)
Total Distribution	11,113	11,113	9,118	9,118		10,288	(1000 60 KG BAGS)
Exportable Production	7,975	7,975	6,520	6,520		7,660	(1000 60 KG BAGS)
TS=TD		0		0		0	
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